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THE FEDERAL DIARY

Raising Age of Retirement With Full Benefits

Legislation that would force U.S. workers to stay on the job longer and put more into their pension plan will include a clause protecting the benefits of employees who are 55 (or older) at the time the proposed changes become law.

Office of Personnel Management chief Donald J. Devine yesterday outlined a laundry list of changes the administration hopes to make, either by law or administrative action, in the way federal workers are paid, rewarded and eventually retired.

In a meeting with reporters, Devine said the most controversial proposal—to raise the age for retirement at full benefit from 55 to 65—would be phased in over a 10-year period, and provide guarantees for employees who are at or near retirement under current rules. When fully in effect, workers retiring in the future would have annuities reduced 5 percent a year for each year they are under age 65.

Devine said employees who become 55 before the changes are enacted would still be able to quit on full benefit (about 56 percent of salary) after 30 years of service, even if they choose to work after the rules change takes place for other employees.

Under the phase-in proposal (which must be cleared by Congress), workers who are 54 now could retire when they become 55 (with 30 years service) and take "only" a 5 percent reduction in their annuity. Workers who are 50 now could retire at age 55 with a 25 percent reduction and so on. Employees who are 45 or younger who retired in the future at age 55 with 30 years service would take a 50 percent reduction in annuity. Those who stayed on until age 65 would get their full benefit.

In other comments, Devine said he:

- Expects Congress will go along with the plan to cancel federal pay raises this year and the 1984 cost-of-living adjustment for retirees.

- Will propose that federal workers pay 9 percent of gross salary into the retirement fund beginning next year and 11 percent starting in 1985. They now contribute 7 percent.

- Will seek to change the formula on which benefits are calculated (ser-

highest three-year average salary) to a computation that would base benefits on the worker's highest five-year salary average. Devine said this would not apply to employees who are currently within three years of retirement.

- Will recommend a supplemental civil service retirement system for federal and postal workers should Congress decide to put them under Social Security. Employees under the new system would pay 5.4 percent of salary for Social Security and 5.6 percent for a modified civil service pension plan. Current employees would not be forced to go under Social Security, but could elect to come into the new dual system.

- Put all white-collar federal workers under a modified form of the merit pay plan set up by the Carter administration for managers and supervisors at Grades 13, 14 and 15. Annual pay raises for that group of about 125,000 workers are determined by performance.

Under this proposal, which has not been cleared by the White House, longevity pay raises (worth 3 percent) that now go almost automatically to employees in Grades 1 through 12 would depend on their performance ratings. Those rated less than "fully satisfactory" would not get the increases, which are separate from annual catch-up-with-industry pay raises.

- Devine said he was also waiting for White House approval of a plan to revise federal layoff (RIF) rules, to give more protection to employees based on performance, and less weight to seniority.

Devine said the proposed RIF rules change, the extension of merit pay to all white-collar workers, plans to revise overtime rules and shift unions from "bargaining" with agencies to "consulting" could be made administratively. The other proposals must be approved by Congress.

Most of the other changes must go through the House Post Office-Civil Service Committee and the Senate Governmental Affairs Committee. The House unit, dominated by Democrats, is hostile to most of the proposals. Devine will appear before a special House retirement sub-

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